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FM AMEMBASSY NEW DELHI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 8724
INFO RHEHAAA/WHITE HOUSE WASHDC IMMEDIATE
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE
RHEHNSC/NSC WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RULSDMK/DEPT OF TRANSPORTATION WASHDC
RHMCSUU/FAA NATIONAL HQ WASHINGTON DC
RUEHRC/DEPT OF AGRICULTURE WASHDC

UNCLAS SECTION 01 OF 02 NEW DELHI 002395

SIPDIS

USDOC FOR ITA/MAC/OSA/LDROKER/ASTERN/KRUDD
DEPT OF ENERGY FOR A/S KHARBERT, TCUTLER, CZAMUDA, RLUHAR
DEPT PASS TO USTR MDELANEY/CLILIENTFELD/AADLER
TREASURY FOR OFFICE OF SOUTH ASIA MNUGENT
TREASURY PASS TO FRB SAN FRANCISCO/TERESA CURRAN
USDA PASS FAS/OCRA/RADLER/BEAN/FERUS

E.O. 12958: N/A

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SUBJECT: New Delhi Weekly Econ Office Highlights for the Week of
November 23-27, 2009

REF: New Delhi 2120

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¶1. Below is a compilation of economic highlights from Embassy New
Delhi for the week of November 23-27, 2009, including the
following:

- Industrial Growth on Path to Recovery
- RBI Warns Banks Dealing with Iran, Pakistan, and Others
- FATF Mutual Evaluation Spurs Tougher AML Regulations

Industrial Growth on Path to Recovery

¶2. Continuing a three month trend (see reftel), industrial
production was up 9.1 percent in September. Manufacturing, which
accounts for 80 percent of the index of industrial production (IIP),
grew by 9.3 percent. Mining and electricity sectors registered
robust growth rates of 8.6 percent and 7.9 percent, respectively in
September. Within manufacturing, basic chemicals and chemical
products and machinery and equipment showed the highest growth in
September. It was not all positive news for manufacturing, however,
as five of the 17 manufacturing industries had negative growth. As
in previous months, production in food products and jute,
vegetables, and fibre textiles declined, but, for the first time
since June, production in beverages and tobacco products, paper and
printing products, and metal products also declined.

¶3. As in the past three months, all five use categories - basic
goods, capital goods, intermediate goods, consumer durables, and
consumer non-durables - had positive growth in September. Analysts
point out that the rise in industrial growth over the past four
months is due to the stimulus packages enacted by the government and
the impact of the new hydrocarbon discoveries coming on stream,
including the commencement of the Cairn India facilities and
Reliance's KG facilities.

RBI Warns Banks Dealing with Iran, Pakistan, and Others

¶4. In a November 20 notice, the Reserve Bank of India directed banks
to keep a strict watch on customer's business transactions with

entities or banks from Iran, Pakistan, Uzbekistan, Turkmenistan, and Sao Tome. The notification follows concerns raised by the Financial Action Task Force (FATF) regarding deficiencies in the anti-money laundering and countering financing of terrorism regimes in these countries. The FATF remains particularly concerned about Iran's failure to address the risk of terror financing and the serious threat this poses to the integrity of the international financial system.

FATF Mutual Evaluation Spurs
Tougher AML Regulations

¶5. On November 12, the Department of Revenue under the Ministry of Finance issued a notification amending certain clauses of the Prevention of the Money Laundering Act (PMLA), which would bring registered Non-Profit Organizations (NPOs) or non-governmental bodies including charitable trusts, temples, churches, mosques and educational institutions under the purview of the PMLA. The new rules would come into force after announcement in the Official Gazette.

¶6. Once enacted, NPOs will be required to disclose the source of their funds where transactions exceed more than one million rupees (approximately \$21,000). The amendments will place NPOs under higher scrutiny by banks and financial institutions for large money transactions and suspicious transactions.

¶7. The Foreign Contribution (Regulation) Bill (FRCA) is one of the 62 scheduled pieces of legislation listed for consideration and passing in the current Parliament session, which began on November 19 and will conclude on December 22. The FRCA, replacing a similar 1976 Act, will regulate and monitor donations, grants, and gifts received from foreign sources by domestic charitable organizations

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and NPOs. The FRCA is broader in scope than its predecessor, covering political organizations, electronic media organizations, and cultural, economic, educational, religious, and social programs. The Bill tightens registration requirements and allows the Financial Intelligence Unit to monitor foreign contributions to NPOs.

¶8. Comment: The GOI's goal of becoming a full member in the Financial Action Task Force (FATF) is the driving force behind many of these anti-money laundering bills and amendments. Despite NPO concerns that the amended PMLA may make receiving assistance more difficult, the GOI is working hard to make sure no stones are left unturned as it readies itself for the FATF mutual evaluation beginning at the end of November. Regardless of its motives, stricter oversight of NPOs is a welcome addition to the GOI's anti-money laundering. End comment.

¶9. Visit New Delhi's Classified Website:
<http://www.state.sgov/p/sa/newdelhi>.

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